

# ITG News



Keeping First Nations Informed

January 2009

Publication 4267E

Catalog Number 37832Y

Pacific Northwest Edition

## Message from the Director

All of us share a common concern for the current world economy, whether as individuals or government officials. The rising unemployment rates, declining stock markets, job layoffs, tight credit markets, and business failures are issues that are affecting every government in the world, and certainly tribal governments are not immune from these problems.

Tribes face an immediate impact from a number of sources, including decreased business for tribal enterprises, decreased capital to expand existing enterprises or start new ones, decreased availability of grants, and a lack of additional federal resources needed for basic tribal programs or infrastructure.

In order to mitigate the impact of the current economic decline, all levels of government must work together, and ITG is committed to working with tribes to minimize any federal tax problems during this period. Our approach will be based on data, and we will use it to quickly determine trends and problems before they might become significant.

We will be renewing and expanding our outreach efforts. This will include regional seminars to assist tribal employees in staying current on tribal employment tax issues. We will also seek to identify tribes that have incurred significant penalties for failure-to-deposit withholding taxes and social security for their employees. While this has been a historic problem for some tribes, the current economic situation will likely create additional pressures in this area. Our objective is to proactively identify problems, assist tribes in determining remedies, and reduce unnecessary interest and penalty assessments that redirect tribal revenue from program areas.

I welcome your ideas on other tax-related steps we might take to assist tribes through this challenging economic period. As always, I can be contacted at [christie.jacobs@irs.gov](mailto:christie.jacobs@irs.gov), or by telephone at 202-283-9800.

Christie Jacobs



*..we want to proactively identify problems, and help tribes determine remedies...*

### IN THIS ISSUE

Message from the Director	1
Tax Calendar for the 1st Quarter 2009	2/3
Customer Satisfaction Survey Results Published	4/5
ITG Releases Revised Gaming Publication	6
Payroll Tax Workshop A Success	6
IRS Mileage Rates for 2009	7
Form 1099-MISC: Reporting Payments to Nonemployees	8
How to Avoid "Averaged" Failure to Deposit (FTD) Penalty	9
Year-end Reconciliation Worksheet for Forms 941, W-2, and W-3	10
Tax News For You!	11-13
ITG Area Contacts	14



# Federal Tax Calendar for First Quarter 2009

## January 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5 * Make a deposit for 12/27-12/30	6	7 * Make a deposit for 12/31-1/2	8	9 * Make a deposit for 1/3-1/6	10
11	12 Employees report December tip income to employers if \$20 or more	13	14 * Make a deposit for 1/7-1/9	15 ** Make a deposit for December if under the monthly deposit rule	16 * Make a deposit for 1/10-1/13	17
18	19	20	21	22	23 * Make a deposit for 1/14-1/20	24
25	26	27	28 * Make a deposit for 1/21-1/23	29	30 * Make a deposit for 1/24-1/27	31

## February 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2 Issue W-2s, W-2Gs, and 1099s to recipients File Form 730 for wagers received during December File Form 941 for the 4th calendar quarter of 2008	3	4 * Make a deposit for 1/28-1/30	5	6 * Make a deposit for 1/31-2/3	7
8	9	10 Employees report January tip income to employers if \$20	11 * Make a deposit for 2/4-2/6	12	13 * Make a deposit for 2/7-2/10	14
15	16	17 ** Make a deposit for January if under the monthly deposit rule	18	19 * Make a deposit for 2/11-2/13	20 * Make a deposit for 2/14-2/17	21
22	23	24	25 * Make a deposit for 2/18-2/20	26	27 * Make a deposit for 2/21-2/24	28

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\* = Make a Monthly Deposit if you qualify under that rule.

2

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.



## March 2009

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4 * Make a deposit for 2/25-2/27	5	6 * Make a deposit for 2/28-3/3	7
8	9	10 Employees report February tip income to employers if \$20 or more	11 * Make a deposit for 3/4-3/6	12	13 * Make a deposit for 3/7-3/10	14
15	16 ** Make a deposit for February if under the monthly deposit rule	17	18 * Make a deposit for 3/11-3/13	19	20 * Make a deposit for 3/14-3/17	21
22	23	24	25 * Make a deposit for 3/18-3/20	26	27 * Make a deposit for 3/21-3/24	28
29	30	31				

\* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

\*\*= Make a Monthly Deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.

## Return Filing Dates

### February 2nd

- > File Form 941 for the 4th quarter of 2008. If all deposits are paid on time and in full, file by February 10th.
- > If pre-qualified for simplified payroll filing, file Form 944. If all deposits are fully paid on time, file by February 10th.
- > File Form 940 for 2008 if liable for Federal Unemployment Tax (not participating or current with state unemployment tax). If all deposits are paid on time and in full, file by February 10th.
- > File Form 730 and pay the tax on applicable wagers accepted during December 2008.
- > File Form 944 for 2008 if required in lieu of Form 941. If all deposits are paid on time and in full, file by February 10th.
- > File Form 945 for 2008. If all deposits are paid on time and in full, file by February 10th.
- > File Form 943 for 2008 (agricultural entities). If all deposits are paid on time and in full, file by February 10th.

### March 2nd

- > File information returns for all payments reported to recipients on Forms 1099, 1098, 5498, and W-2G, using Form 1096 as a transmittal. If filing these forms electronically, file by March 31st.
- > File Form W-3, along with copy A of Forms W-2 you issued for 2008. File by March 31st if filing electronically.
- > File Form 730 and pay the tax on applicable wagers accepted during January 2009.
- > File Form 8027 if you are a large food and beverage establishment. File by March 31st if filing electronically.

### March 31st

- > File Form 730 and pay the tax on applicable wagers accepted during February 2009.



## Customer Satisfaction Survey Results Published

The Office of Indian Tribal Governments recently completed its sixth annual customer survey. The survey gave us feedback from our customers that allows us to measure customer satisfaction with our products and services and determine areas where we need to effect operational changes.

We want to thank everyone who participated. We received 197 responses, which was the highest total of any survey. We are pleased that the overall level of satisfaction has remained steady, although it decreased slightly from 77% to 76%. There were a number of issues surfaced where we are undertaking actions to address concerns raised in the survey. This includes, but is not limited to:

- Utilize the regional Consultation Listening meetings (four per year are scheduled in differing BIA regions) to explore concerns about horizontal equity
- Continue to implement innovative alternative approaches for delivering products/services to tribes located in Alaska and the Navajo Chapters
- Seek opportunities to do annual outreach/education seminars on Employment Tax issues on a regional basis
- Further studying the causes of dissatisfaction in the Pacific Northwest
- Monitoring work processes to improve responsiveness to tribal inquiries by ITG staff

This is the second survey where we have asked specific questions in regard to Compliance Checks and Examination interactions with ITG. Since examinations represent a significant percentage of the work done by ITG, we will focus extra efforts in regard to that specific feedback. One area where we will seek to affect remedies is in the area of “timely actions.” This was an overall concern by tribes, and the most significant concern in regard to examinations.

One of the outcomes of the 2007 survey was the initiation of significant outreach/education efforts for the Navajo Chapters, in conjunction with the Navajo Nation. This was a direct response to dissatisfaction in that area. ITG organized and conducted major payroll and information reporting educational seminars for tribal employees, modeled on the success of similar efforts in Alaska in 2007, which were repeated in 2008. The survey shows the positive results of these efforts. The customers in the Navajo Chapters showed a marked increase in customer satisfaction, with the rate increasing from 50% to 64%. The Alaska tribes increased from 75% to 82%, and are now more satisfied than the rest of the United States. ITG will seek to apply best practices used in Alaska in a focused effort to better assist the Navajo Chapters.

In addition to the overall measures, we also looked at satisfaction by geographic area and by common themes within the survey. The table on the following page shows that analysis, and compares the responses this year with the survey responses from the prior year.

A more complete report on the survey is posted to our web site at [www.irs.gov/tribes](http://www.irs.gov/tribes). We look forward to input at the ongoing Consultation Listening meetings to further assist in determining improvement opportunities. Future issues of ITG News will detail operational changes that we effect in response to the survey feedback.





## Customer Satisfaction Survey Scores - by ITG Area

Eastern			North Central		Southwest		Western		Pacific Northwest		Alaska		Navajo Chapters	
2007	2008		2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Burden/ Delivery of Information														
Satisfied	85%	80%	71%	83%	80%	79%	83%	84%	55%	58%	71%	68%	46%	60%
Neutral	11%	16%	16%	13%	14%	10%	10%	11%	40%	27%	19%	21%	21%	18%
Dissatis- fied	4%	4%	13%	4%	6%	10%	7%	6%	5%	15%	10%	11%	33%	21%
Collaborate														
Satisfied	72%	60%	65%	70%	79%	63%	68%	79%	39%	39%	62%	63%	45%	52%
Neutral	24%	26%	24%	27%	12%	28%	18%	12%	48%	48%	29%	24%	31%	20%
Dissatis- fied	4%	14%	11%	3%	9%	10%	14%	8%	12%	13%	8%	13%	24%	28%
Recognition														
Satisfied	84%	78%	70%	90%	72%	63%	77%	75%	50%	48%	69%	70%	51%	59%
Neutral	14%	12%	23%	5%	28%	24%	13%	20%	36%	33%	24%	19%	39%	25%
Dissatis- fied	2%	10%	7%	5%	0%	13%	9%	5%	14%	18%	7%	11%	11%	16%
Protocol/ Horizontal Equity														
Satisfied	82%	74%	90%	87%	75%	78%	83%	83%	57%	54%	72%	75%	60%	70%
Neutral	14%	24%	9%	6%	20%	19%	12%	15%	31%	38%	23%	20%	31%	22%
Dissatis- fied	5%	2%	1%	7%	5%	3%	5%	2%	12%	8%	5%	5%	9%	8%
Accuracy/ Timeliness/ Honesty														
Satisfied	69%	64%	65%	69%	60%	55%	74%	70%	47%	28%	61%	59%	45%	55%
Neutral	25%	27%	27%	28%	37%	30%	10%	22%	41%	55%	32%	31%	31%	27%
Dissatis- fied	6%	9%	8%	3%	3%	16%	16%	8%	13%	17%	8%	10%	24%	18%
Overall Satisfaction														
Satisfied	90%	77%	76%	76%	75%	83%	86%	88%	56%	44%	75%	82%	50%	64%
Neutral	10%	18%	12%	24%	25%	8%	5%	6%	33%	31%	23%	13%	36%	29%
Dissatis- fied	0%	5%	12%	0%	0%	8%	8%	6%	11%	25%	2%	4%	14%	7%
Compliance Action - Overall Satisfaction														
Satisfied	67%	52%	80%	79%	100%	75%	78%	79%	43%	58%	70%	86%	67%	84%
Neutral	17%	14%	7%	11%	0%	25%	9%	16%	33%	26%	22%	14%	0%	9%
Dissatis- fied	17%	33%	13%	11%	0%	0%	13%	5%	24%	16%	7%	0%	33%	7%
Compliance Action - Initial Meeting														
Satisfied	78%	79%	95%	83%	94%	81%	90%	95%	71%	88%	87%	100%	87%	90%
Neutral	10%	18%	3%	17%	6%	6%	1%	5%	25%	8%	12%	0%	12%	10%
Dissatis- fied	13%	4%	3%	0%	0%	13%	8%	0%	4%	4%	0%	0%	0%	0%
Compliance Action - Subsequent Interactions														
Satisfied	74%	67%	70%	88%	100%	75%	84%	94%	56%	35%	89%	100%	60%	91%
Neutral	17%	22%	13%	6%	0%	17%	4%	6%	36%	55%	11%	0%	0%	7%
Dissatis- fied	9%	11%	17%	6%	0%	8%	13%	0%	8%	10%	0%	0%	40%	2%
Compliance Action - Final Resolution														
Satisfied	68%	87%	67%	67%	78%	50%	92%	87%	43%	67%	71%	100%	50%	72%
Neutral	12%	7%	25%	27%	11%	42%	8%	10%	43%	33%	19%	0%	0%	18%
Dissatis- fied	20%	7%	8%	7%	11%	8%	0%	3%	14%	0%	10%	0%	50%	10%



## **ITG Releases Revised Gaming Publication**

The office of Indian Tribal Governments has updated Publication 3908, *Gaming Tax Law and Bank Secrecy Act Issues for Indian Tribal Governments*. The new release contains the notation "Revised 8-2008," and is available in quantity from the IRS Forms Distribution Center.

The revised publication contains updated withholding information, clarifies the Federal Unemployment Tax rules for tribal entities, adds content on information reporting to vendors, explains rules relating to foreign patrons and vendors, and clarifies federal tax deposit rules.

In addition to ordering hard copies, an on-line version can be accessed and downloaded from the ITG web site at [www.irs.gov/tribes](http://www.irs.gov/tribes).

## **Payroll Tax Workshop A Success!**

From the feedback we received, it appears our inaugural Pacific Northwest Payroll Tax Workshop was very successful. Upwards of forty attended and our instructors tell me you were all highly motivated and involved. I want to especially thank Jim Snead, Stevo Pavkovic and the staff of the Suquamish Clearwater Casino for providing the facility and support to make this workshop a success. Based upon the interest in this initial workshop and building upon your suggestions, we are adapting our presentation to address your needs. We will be offering such presentations , perhaps as soon as this spring. If you have further ideas concerning content, timing or location for such future presentations, please email me at [joe.kincaid@irs.gov](mailto:joe.kincaid@irs.gov) .

Joe Kincaid, Group Manager

## **From all of us at the Office of Indian Tribal Governments, Pacific Northwest Group, we wish you a Happy and Prosperous New Year!**

We continue to be available to assist you in dealing with IRS issues and we look forward to another year of service. Please contact us whenever you have issues with IRS, notices that are not clear, tax/penalty problems, or any other questions you may have.

Joe Kincaid, Group Manager and ITG Specialists Mike Fehrenbacher, Melodie Gren, John Mandeville and Connie Perkins

## **Self-Assess Your Federal Tax Compliance Risks**

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, are available through the "Self Assess Tribal Tax Compliance" link on the right-hand side of the ITG web site landing page at [www.irs.gov/tribes](http://www.irs.gov/tribes), or you can make an inquiry about the program via e-mail to [tege.itg.tefac@irs.gov](mailto:tege.itg.tefac@irs.gov).



## **IRS Releases Mileage Rates for 2009**

The Internal Revenue Service issued the 2009 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2009, the standard mileage rates for the use of a car (also vans, pickups, or panel trucks) will be:

55 cents per mile for business miles driven

24 cents per mile driven for medical or moving purposes

14 cents per mile driven in service of charitable organizations

The new rates for business, medical and moving purposes are slightly lower than rates for the second half of 2008 that were raised by a special adjustment mid-year in response to a spike in gasoline prices. The rate for charitable purposes is set by law and is unchanged from 2008.

The mileage rates for 2009 reflect generally higher transportation costs compared to a year ago, but the rates also factor in the recent reversal of rising gasoline prices. While gasoline is a significant factor in the mileage rate, other fixed and variable costs, such as depreciation, enter the calculation.

The standard mileage rate for business use, medical use and moving purposes are all based on an annual study of the fixed and variable costs of operating an automobile.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles used simultaneously.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Revenue Procedure 2008-72 contains additional information on these standard mileage rates.

## **Want to Avoid Penalties?**

Are you incurring penalties? Do you want to eliminate penalties in the future?

ITG has a "Helpful Hints to Avoid Penalties" job aid that can assist you.

It's available by ordering our "Tax Tools for Tribes" CD-Rom via e-mail  
at [ITG.TaxTools@irs.gov](mailto:ITG.TaxTools@irs.gov).



## Form 1099-MISC: Reporting Payments to Nonemployees

If a worker is not your employee, you are not liable for filing Form W-2 or any employment tax returns with respect to that payee. However, in most cases, you are required to issue and file information returns, such as **Form 1099-MISC**, *Miscellaneous Income*, for amounts you pay in nonemployee compensation.

**What types of payments require a Form 1099-MISC to be filed?** You must issue **Form 1099-MISC** for each person or business to whom you have paid, in the course of tribal government business during the year, at least \$600 as compensation for services rendered. The form is also required to report rents, prizes and awards, medical and health care payments, and attorney fees or gross proceeds to an attorney.

Examples of **SERVICES** normally requiring a Form 1099-MISC if the business is **not a corporation**:

Accountants	Repairs	Auditors	Bookkeeping Service
Payroll Service	Consultants	Advertising	Messenger/Delivery Service
Janitorial Service	Water & Soil Tester	Haulers	Garbage/Refuse Service
Towing	Snow Removal	Entertainers	Remodelers
Carpenters	Carpet Installers	Drywallers	Painters
Vehicle Repairs	Office Equipment Repairs	Heavy Equipment Repairs	

Examples of **SERVICES** that require a Form 1099-MISC **even if they are a corporation**:

Attorneys	Doctors	Hospitals	Medical Clinics
Dentists	Medical Specialists	Eye Clinics	Any other Medical Provider

You should secure a taxpayer identification number from recipients **prior to** making any reportable payments. You can use **Form W-9**, *Request for Taxpayer Identification Number and Certification*, for this purpose.

**Which payees should be issued Form 1099-MISC?** You are required to report payments to individuals, partnerships, estates, trusts, legal and medical service providers. If someone declares that they are a Limited Liability Company (LLC), you would issue them a Form 1099 unless they declare "corporation" as their tax classification. Tax classification means the type of tax and return the LLC will be filing. If an LLC does not provide their tax classification, you should issue them a Form 1099. The fact that an entity has an EIN instead of an SSN, does not mean that they are incorporated, it only means that they are an employer. They only fall under the exception if they are a corporation.

### Are some payees exempt from the reporting requirements?

You are not required to issue Form 1099-MISC for payments to:

- Tax-exempt organizations and governments
- Vendors for merchandise, freight, storage, and similar items (**but** payments to vendors for **services are reportable**)
- Corporations (**other than** attorney fees, medical and health care payments)
- Rent to real estate agents
- Recipients of scholarships
- Recipients of difficulty-of-care payments

**When is Form 1099-MISC due?** Make the recipient's copy available by January 31st of the year following the year the payment(s) were made. You must send copies to the IRS by February 28th along with Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*. However, if you file electronically, the due date is March 31st. Penalties apply for late filing.

**What if Form 1099-MISC is not issued or is not correct?** You may be subject to penalties for failure to file information returns or to furnish them to the recipients. Tribal government entities are not exempt from these penalties. In addition, if you fail to obtain a correct taxpayer identification number from the recipient, you will be required to withhold 28% backup withholding from future payments. If you fail to do backup withholding when required, you will be liable for the tax.

See Instructions for Forms 1099, 1098, 5498, and W-2G, available at [www.irs.gov](http://www.irs.gov), for further information.





## How to Avoid an “Averaged” Failure to Deposit (FTD) Penalty

Many Tribal entities are still receiving “Averaged” Failure to Deposit Penalties because the Federal Tax return they file, Form 941, does not contain complete or correct information. When that happens, IRS will send out a notice that says that the Schedule B is “missing or invalid.” Many assume that this means that the Schedule B was lost, but this is usually not the case. This generally means that the tax liability amounts showing on Line 10 of the Form 941 do not match the liabilities shown on Schedule B. You need to determine what went wrong and submit a corrected Schedule B. If there is no error and the amounts match, then send in a copy of the Schedule B.

IRS may assess an “averaged” failure to deposit (FTD) penalty of 2% to 10% if you are a monthly schedule depositor and did not properly complete the monthly liability section (Part 2) of Form 941 when your total adjusted tax liability shown on Form 941 exceeded \$2,500.

IRS may also assess an “averaged” FTD penalty of 2% to 10% if you are a semiweekly schedule depositor, your total adjusted tax liability shown on Form 941 exceeded \$2,500, and you

- 1) completed the monthly liability section of Form 941 instead of Schedule B (Form 941),
- 2) Failed to attach a properly completed Schedule B (Form 941), or
- 3) Improperly completed Schedule B (Form 941) by, for example, entering tax deposits instead of tax liabilities in the numbered spaces.

The “averaged” FTD penalty is computed by taking your total adjusted tax liability shown on Form 941 and distributing it equally throughout the tax period. As a result, your deposits and payments may not be counted as timely because the actual dates of your tax liabilities cannot be accurately determined.

An “averaged” FTD penalty can be avoided by reviewing your return prior to filing it. Follow these steps before submitting your Form 941.

- If you are a monthly schedule depositor, report your tax liabilities (not your deposits) in the monthly liability section (Part 2) shown on Form 941.
- If you are a semiweekly schedule depositor, report your tax liabilities (not your deposits) on Schedule B (Form 941) in the lines that represent the dates your employees were paid. Verify that your total liability on the bottom of Schedule B (Form 941) equals your total adjusted tax liability shown on Line 10 of Form 941.
- Do not show negative amounts in the monthly section Schedule B (Form 941). If your prior period correction results in a decrease to your tax liability, reduce your liability for the day that you discovered the error by the tax decrease resulting from the error, but not below zero. Apply any remaining decrease to subsequent liabilities.

If you receive a notice and you are unsure what it means or what action you should take, please call your ITG specialist for assistance.

## Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances and eliminate the threats posed by individuals with schemes that appear “too good to be true” and often are.

If you are aware of financial impropriety or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860 or via e-mail at [tege.itg.schemes@irs.gov](mailto:tege.itg.schemes@irs.gov)

## Year-end Reconciliation Worksheet for Forms 941, W-2, and W-3

- Annual amounts from payroll records should match the total amounts reported on all Forms 941 for the year.
- Total amounts reported on all Forms 941 for the year should match the sum of the same data fields shown in the W-3 totals.
- If these amounts do not match, recheck records and identify necessary adjustments.

column a	column b	column c	column d	column e	column f	column g
COMPARISON AREA	941 Line #	Form 941 (all 4 quarters)	W-2, W-3 Box #	W-2s (total of all forms)	Amount on W-3	Difference (col c minus col e)
Compensation	Line 2		Box 1			
Federal Income Tax	Line 3		Box 2			
Social Security Wages	Line 5a Column 1		Box 3			
Social Security Tips	Line 5b Column 1		Box 7			
Social Security Tax	Line 5a + 5b Column 2					
Social Security Tax comparison computation	Line 5a + 5b divided by 2		Box 4			
Medicare Wages	Line 5c Column 1		Box 5			
Medicare Tax	Line 5c Column 2					
Medicare Tax comparison computation	Line 5c divided by 2		Box 6			





# Tax News For You!

## Individual Tribal Member Information

**It's time to file your Federal Income Tax Return— here's some helpful information!**

### **Free tax preparation will be available at many locations in your community.**

The IRS partners with various community organizations, including AARP Tax-Aide, to provide free tax preparation assistance to qualified individuals. Free tax preparation is available to low-to-moderate income taxpayers. VITA /TCE and the AARP Tax-Aide Program offer free tax preparation from February 1 through April 15. IRS certified volunteers prepare and e-file the returns - the most accurate and fastest way to file your taxes. It offers fast refunds (even faster with Direct Deposit). By utilizing free tax preparation you can be assured that you get all the tax benefits you deserve and also save the cost of going to a tax preparer. To find a volunteer tax preparation site in your area call IRS at (800) 829-1040 or AARP Tax-Aide at (888) 227-7669 or visit [www.aarp.org/taxaide/home.html](http://www.aarp.org/taxaide/home.html).

### **Free File for 2008 tax returns**

Free File is a partnership between IRS and a group of private sector tax software companies who make their software products available for free to eligible taxpayers to prepare and e-file their Federal tax return. The eligibility requirements for Free File will be posted on the IRS web site and available as of January 16, 2009. Some of the software companies offer state filing for free as well. Individual company offers may be limited to specific states and include other criteria. Carefully review the Free File offer criteria before selecting the company. Each participating software company sets its own eligibility requirements.

Look for **FREE FILE** on the IRS website at [www.irs.gov](http://www.irs.gov).

## **Don't Overlook These Tax Credits and Deductions**

### **Help offset education costs**

The Hope Credit or Lifetime Learning Credit may help offset the cost of higher education for you, your spouse and your dependents.

The amount of these credits is based on the qualified education expenses, such as college or vocational school tuition and enrollment fees, that you paid during the year and may be limited by your modified adjusted gross income. Room and board, insurance or personal living expenses are not considered qualified education expenses. Amounts paid with financial aid and scholarships are also not considered qualified expenses because someone else paid for them.

The Hope Credit, which is up to a \$1,800 tax credit per student per year, is available for only the first two years of college or vocational school.

The Lifetime Learning Credit, which is up to a \$2,000 tax credit per tax return, applies to undergraduate, graduate and professional degree courses and there is no limit to the number of years you can take this credit.

Cont'd page 12



# Tax News For You!

## Individual Tribal Member Information

### Don't Overlook These Tax Credits and Deductions

Cont'd from page 11

#### **Are you paying student loan interest?**

You may be able to deduct up to \$2,500 from your income tax return. Student Loan interest may be deducted even while your student is in school if you are paying the interest immediately rather than deferring the payments.

#### **Claim the Savers Credit for retirement savings contributions**

One way for low and moderate income Americans to save on taxes is by saving for retirement. If you make voluntary contributions to an employer-sponsored retirement plan or to an individual retirement arrangement, you may be able to take a tax credit.

Formally known as the "Retirement Savings Contributions Credit," the Saver's Credit applies to:

- Married individuals filing separately and single with incomes up to \$26,500 for 2008
- Married couples, filing jointly, with incomes up to \$53,000 for 2008
- Head of Household with incomes up to \$39,750 for 2008

To be eligible for the credit you must be at least age 18, not be a full-time student, and cannot be claimed as a dependent on another person's return. You may be able to take a credit of up to \$1,000 (up to \$2,000 if filing jointly) if you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans. The amount of the credit is determined by your filing status, your adjusted gross income, and your other retirement contributions.

The credit is a percentage of the qualifying contribution amount, with the highest rate for taxpayers with the least income.

#### **Remember the Earned Income Tax Credit!**

IRS estimates that 20-25 percent of eligible taxpayers fail to claim the credit which could put as much as \$4,824 into the pockets of a family with two children, or send as much as \$2,917 to a family with one child, or up to \$438 for a worker with no children. The Earned Income Tax Credit is the federal government's largest program benefiting lower income workers. Some individuals and families may qualify for the credit for the first time because of unemployment or other changes in their financial, marital or parental status during the past year.

This tax credit is a dollar-for-dollar reduction of taxes owed. The Earned Income Tax Credit (EITC) is a refundable credit, which means the workers can reduce their tax to zero and then receive a refund of any remaining credit.

Please spread the word and let all of your family, friends and neighbors know about this important credit.





# Tax News For You!

## Individual Tribal Member Information

### IRS Establishes Office of Identity Theft

If you receive a notice or letter in the mail from the IRS that leads you to believe someone may have used your Social Security number fraudulently, please respond immediately to the name, address and/or number printed on the IRS notice.

#### **Be alert to possible identity theft if the IRS issued notice or letter:**

- states that more than one tax return was filed for you, or
- indicates you received wages from an employer unknown to you.

An identity thief might also use your Social Security number to file a tax return in order to receive a refund. If the thief files the tax return before you do, the IRS will believe you already filed and received your refund if eligible.

**If your social Security number is stolen**, it may be used by another individual to get a job. That person's employer would report income earned to the IRS using your Social Security number, making it appear that you did not report all of your income on your tax return.

If you have previously been in contact with the IRS and **have not achieved a resolution**, please contact the *IRS Identity Protection Specialized Unit*, toll-free at 1-800-908-4490.

**If you believe you are a victim of identity theft** but your tax records are **not** currently affected due to a lost/stolen purse or wallet, questionable credit card activity, credit report, or other activity, you may need to contact IRS with proof of your identity.

For additional information please visit the IRS website at [www.irs.gov](http://www.irs.gov) Keyword: *Identity Theft*

### **Didn't receive the Economic Stimulus Payment? You may be able to claim the Recovery Rebate Credit for 2008**

If you did not receive or received less than the maximum Economic Stimulus Payment you may be able to claim a recovery rebate credit of up to \$600 (\$1,200 if married filing jointly). Generally, the credit cannot be more than your 2008 net income tax liability (your regular tax liability plus any AMT, minus any nonrefundable credits you claimed other than the child tax credit). However, your credit will be at least \$300 (\$600 if married filing jointly) if you meet either of the following two conditions:

- A. The total of your earned income, social security benefits (including social security disability payments), tier 1 railroad retirement benefits, certain veterans benefits, and nontaxable combat pay is at least \$3,000, or
- B. Your total income is more than \$8,950 if your filing status is single or married filing separately (\$11,500 if head of household; \$14,400 if qualifying widow(er); \$17,900 if married filing jointly), and your net income tax liability is more than zero.

If you meet either of these conditions, you can also get an additional \$300 for each of your children who is a qualifying child for the child tax credit.

To be eligible, you and your spouse each must have a valid social security number. To get the additional \$300 credit for a child, the child must have a valid social security number.

#### **Credit reduced or eliminated by economic stimulus payment.**

Your credit is reduced by any economic stimulus payment you received in 2008. However, if your credit is less than the stimulus payment you received, you do not have to repay the difference. Additional information is available at [www.irs.gov](http://www.irs.gov)



## ITG Area Contacts

### **PACIFIC NORTHWEST**

Alaska, Idaho, Oregon, Washington

### **SPECIALISTS**

#### **Michael Fehrenbacher**

Vancouver, WA

360-696-7643 ext. 227

Michael.Fehrenbacher@irs.gov

#### **Melodie Gren**

Spokane, WA

509-353-0824

Melodie.F.Gren@irs.gov

#### **John Mandeville**

Spokane, WA

509-353-2842

John.M.Mandeville@irs.gov

#### **Connie Perkins**

Salem, OR

503-587-3137

Connie.K.Perkins@irs.gov

### **Group Manager**

#### **Joe W. Kincaid**

Portland, OR

503-326-2381

Joe.Kincaid@irs.gov

### **Telephone, Internet, & Mailing Address**

- **Call: Customer Account Services** toll free **877-829-5500**
- **Visit: Indian Tribal Governments** Web site at **[www.irs.gov/tribes](http://www.irs.gov/tribes)**
- **Write: Internal Revenue Service**

Indian Tribal Governments SE:T:GE:ITG

1111 Constitution Ave., NW

Washington, DC 20224